

Message Text

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PAGE 01 CARACA 03836 251742Z
ACTION ARA-14

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FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 2049
AMEMBASSY LIMA

UNCLAS CARACAS 3836

E.O. 11652: N/A
TAGS: EINV EIND ELTN VE
SUBJECT: DISCUSSION WITH MINISTER OF DEVELOPMENT RE MACK TRUCK

REF: (A) 77 CARACAS 10265 (B) 77 CARACAS 9953
(C) 77 CARACAS 9175

1. REFERENCED CABLES (REPEATED TO LIMA APRIL 24) GIVE BACKGROUND OF THE MACK TRUCK ISSUE. IN BRIEF, IN 1977 GOV HAD AWARDED A "BUENA PRO" (LETTER OF INTENT) GIVING TO MACK TRUCK INC OF ALLENTOWN, PENNSYLVANIA ONE OF THE TWO CONCESSIONS UNDER THE ANDEAN PACT TO MANUFACTURE HEAVY DIESEL ENGINES AND TRUCKS (B-4 CATEGORY); THE OTHER PRODUCER BEING VOLVO IN PERU. WHILE KING CARLOS OF SPAIN WAS IN VENEZUELA IN SEPTEMBER 1977, PRESIDENT PEREZ DISREGARDED THE "BUENA PRO" WITH MACK AND GRANTED TO THE SPANISH TRUCK MANUFACTURING FIRM, PEGASO, THE CONCESSION TO ESTABLISH A DIESEL ENGINE MANUFACTURING AND TRUCK ASSEMBLY PLANT, IN EFFECT REPLACING MACK WITH PEGASO.

2. IN SPITE OF EMBASSY DEMARCHES , THERE HAD BEEN NO INDICATION THE GOV WAS PREPARED TO DO ANYTHING CONCRETE ABOUT THE ISSUE UNTIL TODAY WHEN MINISTER OF DEVELOPMENT ALVAREZ DOMINGUEZ PRESENTED THE AMBASSADOR WITH THE FOLLOWING
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PAGE 02 CARACA 03836 251742Z

PROPOSAL: ALTHOUGH THE ANDEAN COMMON MARKET CALLS FOR TWO PRODUCERS, GOV IS UNEASY AT TURNING OVER PRIMARILY TO PAGASO A "CAPTIVE" VENEZUELAN MARKET WHICH ILL BE LARGELY LACKING THE BENEFITS OF COMPETITION. IN ADDITION, THE EARLIER ESTIMATES FOR THE NUMBER OF UNITS THAT CAN BE SOLD IN VENEZUELA (20,000) WAS MUCH TOO LOW AND THERE IS THUS ROOM FOR ANOTHER PRODUCER. SINCE VENEZUELA WILL BE THE

BIGGEST MARKET, VENEZUELA BELIEVES THERE IS LOGIC IN LETTING MACK PRODUCE ENGINES FOR THE TRUCKS THAT MACK WOULD SELL SOLELY TO THE VENEZUELAN MARKET AND EXPRESSLY NOT TO THE REST OF THE ANDEAN MARKET. THIS PROPOSAL DOES NOT MEET THE LETTER OF THE ANDEAN COMMON MARKET AGREEMENTS, BUT THE MINISTER THOUGHT IT COULD BE WORKED OUT IF THE PERUVIANS ARE WILLING TO ACCEPT THE PROPOSAL, AND THEY MAY BE PERSUADED BY THE LARGER THAN ANTICIPATED SIZE OF MARKET WHICH SHOULD RESULT IN THEIR PRODUCING ABOUT THE SAME LEVEL OF UNITS THAT HAD ORIGINALLY BEEN EXPECTED WITH TWO PRODUCERS.

3. ALVAREZ DOMINGUEZ HAS TALKED TO THE ECUADORIANS AND TO THE PRESIDENT OF THE ANDEAN COMMISSION AND TO COLOMBIAN OFFICIALS, ALL OF WHO HAVE NO PROBLEM WITH THE IDEA, ASSUMING IT IS ACCEPTABLE TO PERU. ALVAREZ DOMINGUEZ HAS NOT TALKED TO PERUVIAN OFFICIALS, BUT HE TELLS US THAT REINALDO FIGUEROA, PRESIDENT OF VENEZUELA'S FOREIGN TRADE INSTITUTE, HAS MADE AN INFORMAL SOUNDING WITH PERUVIAN INDUSTRY MINISTER IBANEZ. THE MINISTER SAID THAT THE GOV WILL IN ANY CASE PROPOSE THIS FORMALLY TO THE PERUVIANS IN THE NEXT TWO WEEKS. THE MINISTER SUGGESTED THAT IT WOULD BE HELPFUL IF WE COULD SUPPORT THE ABOVE PROPOSAL WITH PERUVIAN OFFICIALS IN AN APPROPRIATE WAY SINCE THE PERUVIAN GOVERNMENT MIGHT THEN BE MORE FAVORABLY INCLINED TOWARD THE GOV APPROACH. THE AMBASSADOR AGREED TO PURSUE THE IDEA.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 CARACA 03836 251742Z

4. COMMENT: MACK TRUCK WAS INDEED GIVEN RATHER ARBITRARY TREATMENT. MACK IS A PREFERRED PRODUCER WITH THE LARGEST SHARE OF THE HEAVY TRUCK MARKET. IT THUS WOULD BE OF BENEFIT TO VENEZUELAN CONSUMERS IF THE ABOVE COMPROMISE COULD BE ARRANGED AND IT WOULD ALSO MAINTAIN AN AMERICAN PRODUCER IN AN IMPORTANT SEGMENT OF A GROWING MARKET.

5. WE WOULD APPRECIATE EMBASSY LIMA'S ESTIMATE OF THE PERUVIAN REACTION AND ITS (AND THE DEPARTMENT'S) VIEW AS TO WHETHER ANY EXPRESSION OF "BUENA VISTA" WOULD BE APPROPRIATE IN THE PRESENT CIRCUMSTANCES.
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